



## THE FOUNDER'S LEADERSHIP JOURNEY

The table below is our summary of the leadership journey of a founder. At each phase, we have captured the experiences of the founder, while he or she grows the business. We have also shared our view on what the founder can do to overcome the challenges of each phase.

	STAGE 1 <b>CREATING</b>	STAGE 2 <b>SCALING</b>	STAGE 3 <b>NORMALISING</b>	STAGE 4 <b>SUSTAINING</b>	STAGE 5 <b>MATURING</b>
<b>WHAT IS HAPPENING</b>	The idea is developed and the organization is created	Success and rapid growth, a few processes and protocols	With more growth, discipline is embedded, and common practices entrenched. Structure is constantly shifting. Attempts to establish the right culture	Growth stabilises, with increased size and complexity. Cultural norms are hard to maintain with infusion of differing styles	Growth slows, processes are established, efficiency becomes an objective. Opportunities emerge for reinvention
<b>WHAT THE FOUNDER IS DOING</b>	Almost everything	Getting things done based on past experience and intuition, and hiring a few professional managers	Hiring professional managers and leaders to get things done and provide even more discipline and rigour	Maintaining grip on vision and key strategic elements Selecting a successor CEO, and stepping away from executive duties	Becoming the ambassador, continuing as the public face of the institution.  Seeking ways to renew the organization by watching for out-of-touch leaders
<b>WHAT THE FOUNDER IS FEELING</b>	In control. On top of the world	Still in control, but stressed and stretched	Worried about losing control, and anxious about hiring the right people so the culture is not diluted	Worrying about losing own autonomy and about how to sustain the original ethos of the organization	Fearing the emergence of bureaucracy, and watching for signs of potential decline
<b>HOW THE FOUNDER CAN SCALE UP SELF</b>	Work with a mentor (someone who has been a founder and who has lived the role of CEO)	Learn how to stop micromanaging by having a model of trust and hiring to that model	When hiring, know that behavior and attitude supersede technical skills	Create written boundaries and meet weekly with successor CEO. Use a trusted adviser to help with the personal transition	Take ownership of recording and preserving the culture.  Give the new leadership team space to make changes and reinvent the organization



# CONCLUSIONS

In many ways, a founder *is* the organization.

The beliefs about what is important and the mental models about how to do things all come from the founder. That means, everyone sees the founder as the emotional leader of the organization. They look to the founder for cultural cues; ‘what is important around here?’ But if *you* are the organization, how do you scale it?

The statistics prove that founders who are able to build an institution are rare. Very rare. There are many founders who have great ideas, but who don’t make

it. There are some who start an institution and gain momentum, but who don’t have the leadership skills or the temperament to scale.

The irony is that some founders become the constraint and the bottleneck in their own organization. They put their organization in jeopardy because they won’t let go of things. Those who are able to scale and build a long-lasting institution are more than just great founders; they are great leaders.

They are able to inspire others to action. And, according to our research, they do it with the following:

**1 THEY KNOW SELF**  
Founders are often first-time CEOs. And first-time CEOs are both ‘master’ and ‘apprentice’. That means others expect them to have all the answers because they are the CEO (the ‘master’), while at the same time, they are learning how to be a CEO (‘the apprentice’). So, good ones recognize this. They know their own capability as a leader of others. They know what they are good at, and how to complement their skills by getting the best out of colleagues. They know their role will change over time, and they are comfortable with that. They accept feedback with good grace, and try to act on it.

**2 THEY TRUST OTHERS**  
Founders are usually the ones with the big idea: the product or strategy that will change things. So, they often think that only they know all there is to know. But, good ones know that micromanaging others will actually stunt the growth of the organization. They give responsibilities to others and make them accountable for delivering them. They know that CEOs don’t really have control; that is a myth.

**3 THEY TAKE ADVICE**  
Typically, founders don’t like authority; they don’t like having a boss. They often have a big ego. And they think they are right. But, these days, there is no single, fixed truth about a course of action. And social media and the Internet make nearly everything available to everyone. Ambiguity and uncertainty are the norm. So, good founders learn how to take advice. Whom to listen to. They leverage advice from outsiders especially (the Board, a mentor, a leadership coach) in order to bring fresh perspectives and avoid repeating mistakes. And they don’t feel threatened if they are challenged.

**4 THEY CAN BUILD A LEADERSHIP TEAM**  
One of the great joys of being the CEO is that they have the ultimate power of creative expression. In other words, because they are at the top of the hill, they have full freedom to create. But, although they have the big idea, great founders know that it is others who bring it to life. They know that they need a team to make it happen. And they are good at finding others who can work in a team, who put the interests of the institution above those of their function. And who are able to share leadership roles.

**5 THEY ARE ABLE TO FAIL, LEARN FROM IT AND RISE AGAIN**  
Founders willingly take risks. They are not afraid to fail. While they hate to lose, they confront failure head-on, learn from their mistakes and pull themselves up again. They are resilient and dogged about their passion. And this is contagious. It can inspire those around them to stretch and achieve great things.  
Most of the time, as growth occurs, others can do most of the work. So, take a step back and constantly ask:

*“What is it that I, and only I, can do here?”*



# STAGE 1: CREATING

Stamina is an indispensable leadership trait for the founder of a business. The founders usually self-identify as high-energy individuals, and others who work with them agree. Their mind is on the go 24/7, and they need substantial amounts of physical energy. The role of a founder also calls for a heightened sense of equanimity; to stay emotionally steady through the highest of highs and the lowest of lows. Specifically, founders need to stay focused during periods of ambiguity – and phases one to three of their leadership journey bring a lot of that.

Founders often don't want to be told what to do – instead, they want to find their own path. As they pursue that path, they learn to find comfort in discomfort. They don't like to fail, but they can deal with it when it happens.

Hurdles inevitably appear in their paths. Resilient, highly driven and results-oriented, these founders find their way over, under and around these obstacles.

For many founders, they struggle as their lives are consumed by the enterprise. The boundary between work and life blurs. Homeostasis is disrupted. While most survive the physical and mental demands of launching a new venture, many wish they had the tools and knowledge to maintain a balanced lifestyle.

Given their vigor and intense passion for their visions, founders can be difficult to work with. They tend to be maniacal about their vision, immersed in the details and at times micromanaging those below them. For them, in the 'creating' phase, their life is co-mingled with their venture and vision; they can be impatient with those around them seeing and wanting a life beyond.

Yet, the successful ones also know that it is not a one-man show. They need a team of people whom they can trust around them. These are people they gather early on, often not for specific competence that they bring, but more because they can count on their loyalty and support.

## *advice for founders from founders*

*Founders often struggle with trusting others. Codify processes and practices as early as possible so that you at least trust activities, if not always the people*

*Define the desired culture and values early on to guide decisions, including those on whom to hire*

*Don't just hire people you know. You will make hiring mistakes if you don't hire for professional skills*

*Hire critical functional experts like your HR and finance heads early on*

*You are committed emotionally and physically 24/7. Don't expect the same from everyone else*

# STAGE 2: SCALING

The biggest challenge for many founders is finding the right people to help grow the business. Beyond sharing the passion, founders are looking for people who are driven and equipped with the right attitude.

As the organization grows, finding talent with the right cultural fit is more important than finding people with the right technical skills. When leaders with a similar mindset and values are hired, the team is productive and enjoyable. But founders bemoan the fact that there is no foolproof way to assess candidates' values and beliefs. Culture is a rather abstract construct, so, finding the right people is often simply about luck.

The growth in founder-led businesses is particularly evident in the technology and technology-enabled services sector. Tech founders are often millennials. VCs often notice that young tech founders avoid hiring people from a previous generation. Because of their youth, they are insufficiently mature or secure in their own skins to feel comfortable with more experienced and wiser executives around them. Therefore, they reject older, more experienced talent.

Often, the young techies hire only people who appear similar to them, instead of looking to hire seasoned talent who complement them. And there is creative tension between founders and VCs. The founders often



stretch their own role and end up limiting the hiring of others, especially in the first two phases of growth. While often VCs have their preferred group of executives whom they trust. They know these people can scale a business.

Even at a stage where the enterprise is just launched, there is a need for the founder to step away from some day-to-day activities. Often the founders' passion about their ideas sometimes interferes with employees' everyday work. This is problematic for two reasons: first, it can disempower other leaders because it can undercut their authority; second, it can lead to a fragmented strategic message.

As growth accelerates, the preservation of the organizational DNA becomes a challenge. Resources are spent to define and clarify the main characteristics of the business, so that they can be codified and passed on to others. Scale also means more employees. And having more employees implies many more assumptions about how to do things in the right way.

People from diverse backgrounds bring different beliefs: about how to treat people, how to handle poor

performance, how to give feedback, and so on. While diversity of ideas can drive innovation, without an appropriate framework to guide people's thoughts and behaviors, the founder's DNA may be diluted.

Yet, as the organization grows, more experts are needed. As the team grows, complexity increases. While experts bring knowledge and insights from their experiences, they often come with their own ideals and preferences. They have been trained a certain way; they have specific experiences that they rely on. These individual differences are rarely synchronous with the dispositions of the founder. Naturally, interpersonal conflicts ensue.

At times, founders hire professional talent and things don't work out. That induces them to question the merit of bringing in professionals from outside the organization. And this sets back the process of external hiring. Rather than stalling external hiring, founders at this point need to articulate better what they are looking for. Defining the progression of their business, critical levers for progress at various stages, and hence the skill sets needed is a useful approach to take.

### *advice for founders from founders*

*You can't do it all yourself. To grow quickly and manage growth, you need competent others*

*You often struggle to define what you are looking for in complementary senior professionals. So, work hard at role and person specification before looking for senior talent*

*Don't be cheap. If the talent is worth it, pay them*

*You will make hiring mistakes. Learn quickly and move on. Most mistakes happen when you hire the person with the right skills, but the wrong attitude*

*You can be difficult to work with because of your energy and determination. Give others more time to solve problems than you need yourself*

## STAGE 3: NORMALIZING

There are very few people with the skill to evolve from being a founder CEO to becoming a professional CEO.

What is the difference in those two roles? A founder CEO is an entrepreneur with a mindset and capability to disrupt markets and existing business models. He is comfortable with the ambiguity of roles.

On the other hand, a professional CEO is usually a seasoned business leader who knows how to leverage scale by building processes, discipline and repeatability.

A minority of founders learn to become professional CEOs. For most, it is not in their DNA and they don't want

to do it. So, with growth comes change. And, at some point, the founder has to let go of some activities. He has to move away from being a part of each step of the process.

Interestingly, even in cases where the founder is unable to grow and scale with the business, and becomes a constraint or bottleneck for progress and growth, replacing a founder is extremely hard. And, if this is done, the business loses tremendous value.

Of course, unlike in other organizations, where succession means handing over completely to someone else and exiting, in a founder-led entity, this may not be,



and most often is not, the case. Even if the founder selects and transitions his CEO role to a successor, he usually continues to stay involved in the company.

Understandably, many founders are unwilling to let go because the organization is synonymous with them. It is

part of their personal identity – who they are. They are deeply emotionally connected.

The higher the level of self-awareness by a founder, the easier it is for them to let go. The support network around the founder knows this, too.

### advice for founders from founders

*Start thinking about and preparing for your succession before it becomes due*

*Identify potential internal candidates two years in advance so that you can groom them*

*You will feel insecure about letting go. You are intrinsically possessive and have dreams for your organization. But the returns far outweigh the risks and personal anxiety*

*When you decide to relinquish tasks, ask trusted advisers, including family members, about the timing. Typically, you will let go of day-to-day operations to focus on the future*

*Don't hand over/let go until you are sure that your operating model is scalable, and that there are successes for the new CEO to replicate*

## STAGE 4: SUSTAINING

There is often a dilemma of hiring an internal candidate versus an external candidate as the successor. Usually, there is a preference for hiring an internal candidate who is familiar with the culture and values of the organization.

Sometimes, external candidates can be tested in lower-risk roles in order to give them time to settle into the organization and learn its culture before taking up the top job.

Whether internal or external, the most important aspect of the transition is the mental preparedness of the founder. She has to be ready and willing to make the transition. To make it work, her role has to evolve.

Almost as important, though, is having role clarity for both the founder and her successor. The founder and the CEO must develop a strong bond and a great working

relationship to enable a smooth handover. And it helps to formally contract roles and boundaries.

Besides defining roles, it's necessary to agree on the agenda for change upfront, along with the pace and appetite for change, especially on people-related issues.

Having hired a successor, a vital role for the founder is helping her successor succeed. Spending time with her. Guiding, but not interfering. Finding the right balance and aligning on their organizational and leadership perspectives.

Since this transition is often the first time for both the founder and the CEO, intervention from someone they both trust can help immensely in this situation, enabling the dialogue between the founder and her successor.

### advice for founders from founders

*Try to use an 'insider-outsider' succession plan. In other words, hire someone who used to be a senior employee, but who left the firm to gain more experience*

*Focus on the leadership quality and cultural mindset of the candidates first, and their technical skills second*

*Align roles and boundaries with your successor. Talk about and agree on what needs to be done, and how the changes will be made*

*Seek intervention and help for the transition, either internally from someone you trust or externally from an advisor*

*Don't expect to get it right first time*



# STAGE 5: MATURING

The transition from founder CEO to a successor CEO is the most critical change in the evolution of any founder-led organization. And there are two conditions to make it work. First, a good working relationship based on trust between the two individuals. Second, a meaningful evolution of the founder's role.

On the first, trust takes time to build. There is a need for constant and open dialogue, not only between the founder and the CEO, but also among the entire top team. This can be enabled either internally, by the CHRO/another trusted individual, or by a competent and trusted third party.

On the second, the founder must know what his role is going to be before the transition starts. And, the founder must be emotionally prepared to let go of the old role.

Of course, the onus for making the transition work lies as much with the successor as it does with the founder.

He should know when to leverage the founder, when to push back, and when to reach out for help. There need to be clear boundaries between what 'I do' and what 'you do'. Alignment and respect for each other makes this relationship stronger.

It seems fairly clear that exiting the business is neither possible nor desirable for most founders. However, the founder's role must evolve over time, to continue to add value in the most effective manner as the organization grows and changes. Only then will the founder create space for newer leaders to take the organization into the future, while he remains its creator and visionary.

But this is easier said than done. Most founders are so deeply connected and entrenched in their businesses that it's difficult for them to see it any other way.

## advice for founders from founders

*Evolve your role. Shift from 'getting things done' to 'influencing and enabling things to get done'*

*Prioritize weekly meetings with the CEO. Don't cancel these for anything, including travel and holidays*

*Be completely open and transparent with the CEO in order to build trust*

*Disagree in private, not in public. One voice to the world between you and the CEO*

*Create a strong Board with the stature and strength to question, guide, mentor and confront both you and the CEO*

**The River Group was formed by clients for clients.** The founders met 18 years ago as CEO client and consultant. Over the years, we have worked on many successful transformations together.

This track record of success and fruitful collaboration led us to form The River Group as specialist leadership advisors.

With the client/consultant perspective, The River Group is a different kind of

consulting firm. We combine years of experience leading change ourselves or advising others on leading change.

We have the behavioral know-how of consultants and the focus and pragmatism of the CEO.

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